



Virginia Healthcare Workforce Briefs

Indicators from the Bureau of Economic Analysis

Regional Economic Accounts

Series 3: Income & Compensation

Series 3, Issue 41

December 2021

Highlights

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The calendar year is the basis for data in this series. See Page 5 for additional information on this series.

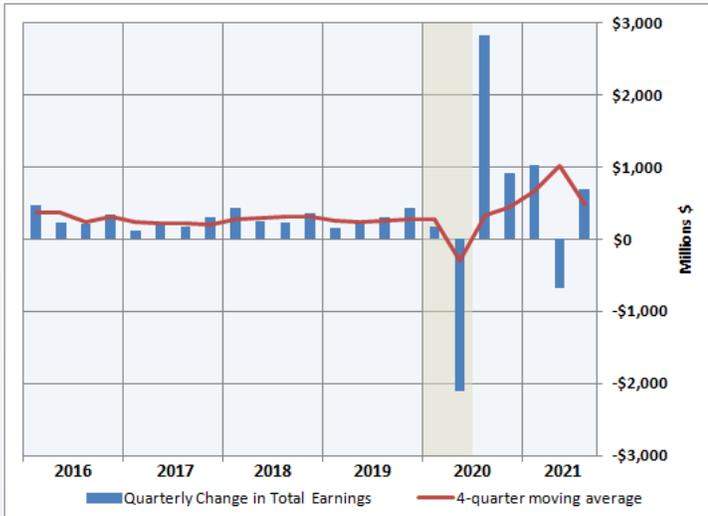
- ◆ In addition to the new income and compensation estimates for Quarter 3 (Q3) 2021 from the Bureau of Economic Analysis (BEA), this report also includes revised estimates from Q1 2021 to Q2 2021.
- ◆ After falling by \$687 million in Q2 2021, total earnings in Virginia's Health Care & Social Assistance (HC&SA) sector recovered in Q3 2021 with an increase of \$695 million to \$35.3 billion. This gain represents a three-month annualized earnings growth rate of 8.3%.
- ◆ Virginia's HC&SA sector saw total employee compensation grow by \$720 million to \$32.3 billion in Q3 2021. This increase translates into three-month annualized earnings growth rate of 9.4%.
- ◆ Total HC&SA compensation per employee in Virginia increased by \$1,663 in Q3 2021. With this increase, the HWDC estimates that employees in Virginia's HC&SA sector earn an average of \$72,663 per year.

Data in Brief

	Income (Millions of Dollars)				Growth Rate, Annualized		
	Q3 2020	Q1 2021	Q2 2021	Q3 2021	Annual	6-Month	Quarterly
Earnings (Personal income less rents, interest, dividends and government payments)							
Virginia	\$359,960	\$369,770	\$377,684	\$385,852	7.2%	8.9%	8.9%
National	\$13,278,502	\$13,784,972	\$14,242,985	\$14,564,628	9.7%	11.6%	9.3%
Health Care & Social Assistance Earnings							
Virginia	\$33,358	\$35,308	\$34,621	\$35,316	5.9%	0.0%	8.3%
National	\$1,521,591	\$1,559,628	\$1,590,309	\$1,620,518	6.5%	8.0%	7.8%
Health Care & Social Assistance Employee Compensation (Earnings less proprietor's income, includes salaries, wages & benefits)							
Virginia	\$30,370	\$32,329	\$31,569	\$32,289	6.3%	-0.2%	9.4%
National	\$1,364,575	\$1,413,434	\$1,440,586	\$1,471,985	7.9%	8.5%	9.0%
Health Care & Social Assistance Compensation per Employee (HWDC Estimate)							
Virginia	\$69,913	\$73,054	\$71,000	\$72,663	3.9%	-1.1%	9.7%
National	\$69,610	\$71,205	\$72,024	\$73,507	5.6%	6.6%	8.5%

Health Care & Social Assistance Earnings

Figure 1: Quarterly Change in Total Earnings from Virginia’s Health Care & Social Assistance Sector. Includes Proprietor’s Income, Salaries and Wages, and Benefits.



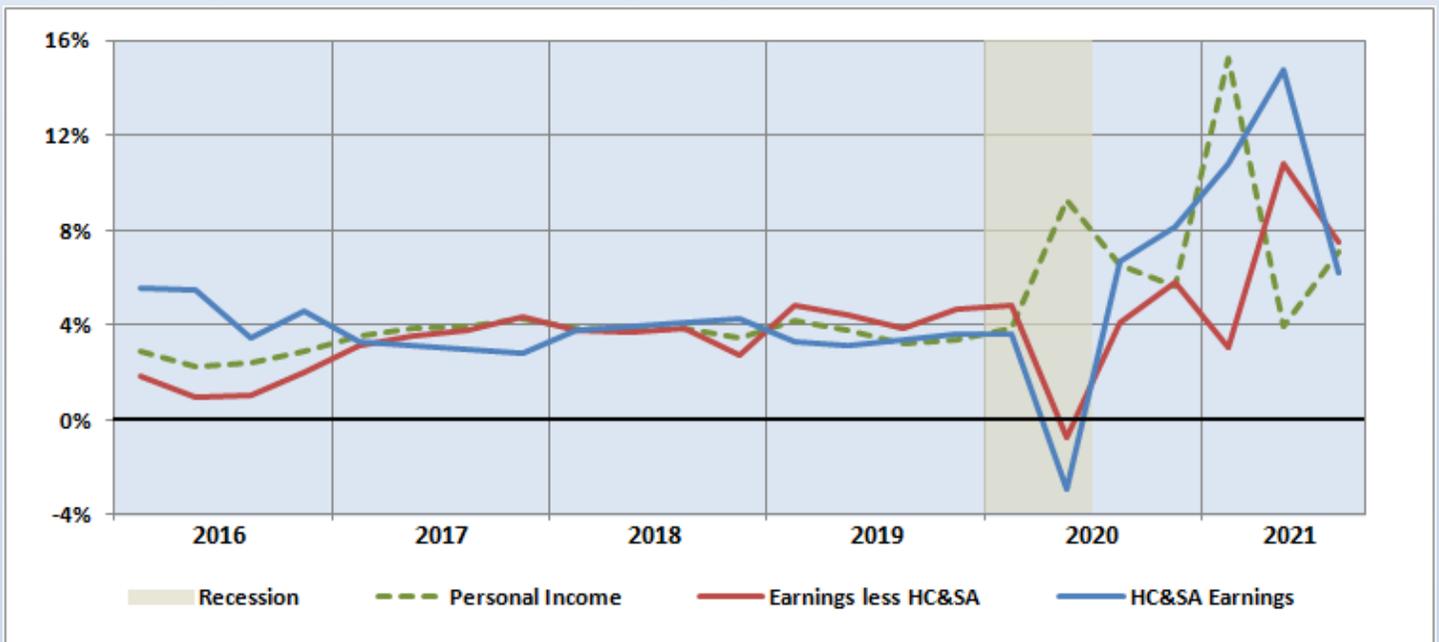
According to the preliminary data released on Friday, December 17, 2021 by the U.S. Bureau of Economic Analysis, total earnings in Virginia’s Health Care & Social Assistance (HC&SA) sector increased by \$695 million to \$35.3 billion, a gain that represents a three-month annualized growth rate of 8.3%. With this gain, Virginia’s HC&SA sector recovered all of its losses from Q2 2021 when total earnings fell by \$687 million.

Over the past three quarters, total earnings in Virginia’s HC&SA sector has increased by just over \$1 billion. Virginia’s HC&SA sector has not increased total earnings to such an extent since 2015. Despite this impressive growth, the four-quarter moving average of the change in total HC&SA earnings fell for the first time since Q2 2020. Over the past year, total HC&SA earnings have grown by an average of \$490 million per quarter.

Virginia HC&SA Earnings Growth Rate

The four-quarter growth rate moving average for total earnings in Virginia’s HC&SA sector fell by more than half in Q3 2021 from 14.76% to 6.20%. With this decline, the four-quarter growth rate moving average of the state’s total HC&SA earnings has fallen to its lowest value during the post-lockdown economic recovery period. Regardless, this moving average still remains considerably higher than the values observed before the onset of the coronavirus pandemic. Before 2020, the four-quarter growth rate moving average for total HC&SA earnings in the state had not exceeded 6% since 2015. The comparable moving average for Virginia’s total non-HC&SA earnings also experienced a significant decline, falling from 10.81% to 7.48% in Q3 2021. On the other hand, the four-quarter growth rate moving average for Virginia’s personal income rebounded strongly during the quarter with an increase from 3.99% to 7.10%

Figure 2: Earnings Growth Rate, 4-Quarter Moving Average (Annualized)



Virginia HC&SA Earnings Growth Rate by Earnings Type

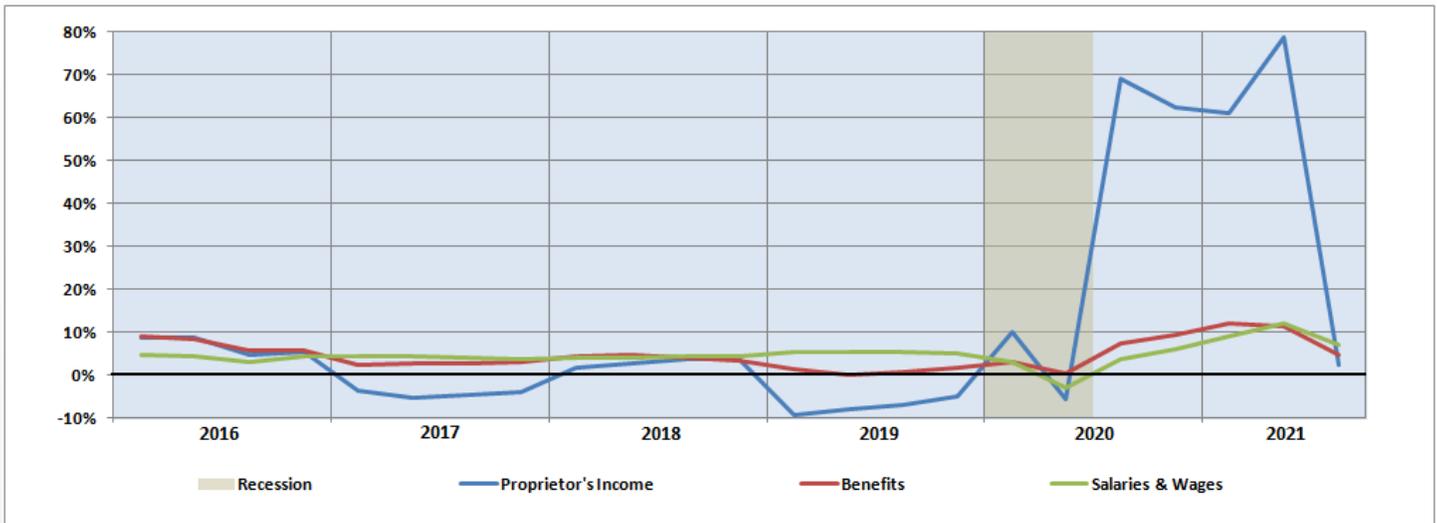


Figure 3: Earnings Growth Rate by Type of Earnings, 4-Quarter Moving Average (Annualized)

At the beginning of the post-lockdown economic recovery period, the four-quarter growth rate moving average of Virginia’s HC&SA proprietor’s income experienced a dramatic surge to unprecedented levels, ultimately reaching a high of 78.72% in Q2 2021. However, the four-quarter growth rate moving average of Virginia’s HC&SA proprietor’s income finally returned to its normal range in Q3 2021 after an entire year in which it never dropped below 60%. In Q3 2021, this moving average fell to 2.37%, thereby falling below the comparable moving averages for both forms of HC&SA employee compensation. HC&SA employee salaries & wages saw its four-quarter growth rate moving average fall from 12.11% to 7.15%, while the comparable moving average for HC&SA employee benefits dropped from 11.50% to 4.84%.

Annual Growth by Earnings Type

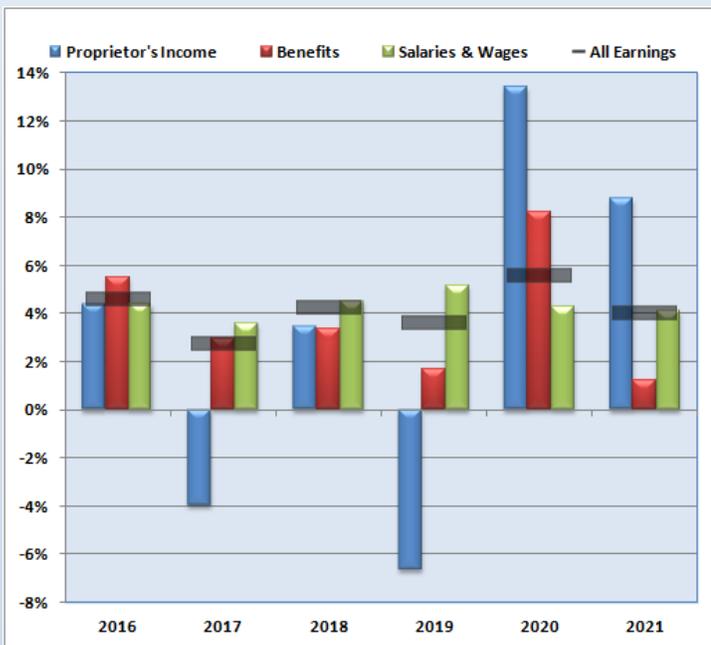


Figure 4: Virginia HC&SA Earnings Growth Rate by Type of Earnings (Annualized)

During the first three quarters of 2021, total HC&SA earnings in Virginia have grown at a 4.0% annualized rate. For the second consecutive year, total earnings growth in Virginia’s HC&SA sector has been driven by gains in HC&SA proprietor’s income. After growing by 13.4% in 2020, HC&SA proprietor’s income has increased by another 8.8% on an annualized basis in 2021. Proprietor’s income in Virginia’s HC&SA sector has not experienced such rapid growth since 2006.

HC&SA proprietor’s income is growing more than twice as fast as HC&SA employee salaries & wages, the next fastest growing earnings type. So far this year, HC&SA employee salaries & wages are growing at a 4.1% annualized rate. At the same time, HC&SA employee benefits are growing by 1.2% on an annualized basis. In 2020, these two forms of employee compensation grew by 4.3% and 8.2%, respectively.

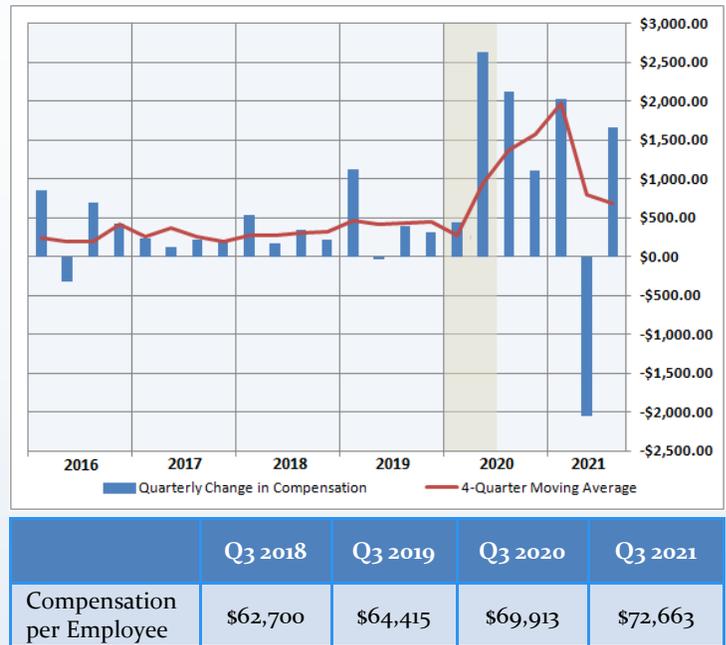
Earnings Type	Level (Millions)	Share
Proprietor's Income	\$3,027	8.6%
Benefits	\$5,358	15.2%
Salaries & Wages	\$26,931	76.3%
Total	\$35,316	100%

HC&SA Compensation per Employee

According to the Healthcare Workforce Data Center’s estimates (see methodology, next page), employees in Virginia’s HC&SA sector earned an average of \$72,663 (annualized) in Q3 2021. Note that this figure includes salaries & wages plus the cost of benefits for employed persons only. Practitioners in private practice, which includes a large number of the sector’s highly paid professionals, are not included in this figure.

In Q3 2021, total compensation per employee in Virginia’s HC&SA sector increased by \$1,663. This gain represents a strong three-month annualized growth rate of 9.7%. This result also represents an impressive rebound in total HC&SA compensation per employee after declining for the first time in two years during the previous quarter. In Q2 2021, total compensation per employee in Virginia’s HC&SA sector fell by \$2,054. Even with this significant quarterly loss from Q2 2021, Virginia’s HC&SA sector has still seen total compensation per employee increase by \$1,638 so far this year.

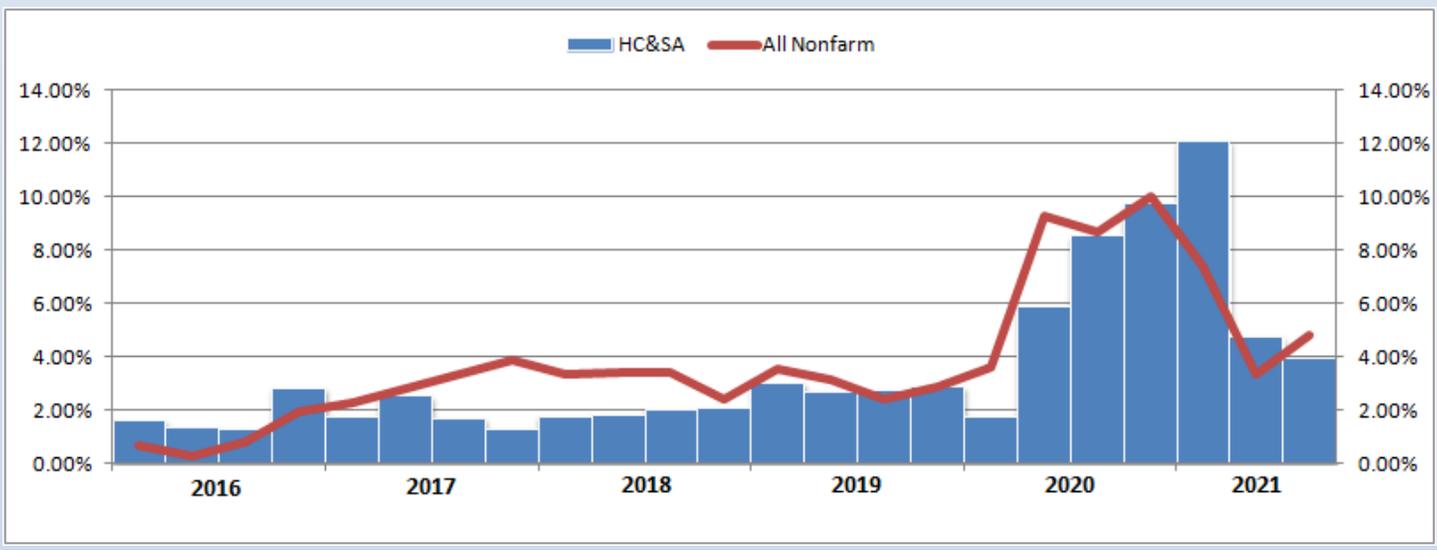
Figure 5: Quarterly Change in Employee Compensation from Virginia’s Health Care & Social Assistance Sector.



Compensation per Employee Growth Rate

The year-over-year growth rate of total compensation per employee in Virginia’s HC&SA sector fell in Q3 2021 from 4.73% to 3.93%. With this decline, the year-over-year growth rate of total HC&SA compensation per employee has fallen to its lowest value in one-and-a-half years. In fact, this growth rate has fallen by two-thirds since reaching a multiyear high of 12.11% in Q1 2021. This same downward trend has also taken place with respect to total nonfarm payroll compensation per employee in Virginia’s overall economy. Although the year-over-year growth rate of Virginia’s total nonfarm payroll compensation per employee did increase from 3.32% to 4.79% in Q3 2021, this growth rate has still declined by more than 50% since reaching its own multiyear peak of 10% at the end of 2020.

Figure 6: Year-Over-Year Change in Compensation Per Employee.



Definitions

Economic data in this briefing is from the U.S. Bureau of Economic Analysis' Regional Economic Accounts. In particular, we use the Quarterly State Personal Income Accounts. The definitions provided here are written for a lay audience. More technical definitions and in-depth information on the Regional Economic Accounts are available on the BEA's website:

<http://www.bea.gov/regional/about.cfm>.

Personal Income: Income received from all sources, including salaries & wages, benefits, business profits, rents, government payments or retirement and investment funds. Personal income is based on where recipients live.

Earnings: Earned income includes salaries & wages, benefits (aka supplements to wages and salaries) and proprietor's income. Earnings and its components are based on where recipients work.

Proprietor's Income: Income from small businesses (sole proprietorships & partnerships), corporate director's fees and tax-exempt cooperatives. It does NOT include dividends or interest received by non-financial businesses or rental income received by non-real estate businesses.

Compensation: Salaries & wages and benefits.

Benefits: Referred to as "supplements to wages and salaries by the BEA, benefits includes employer contributions to retirement funds, insurance (including health and life) and to government social insurance programs (e.g., unemployment insurance, Social Security, worker's compensation insurance, etc.).

Salaries & Wages: Salaries, wages, commissions, bonuses and tips, before deductions, based on when payments are disbursed. The value of stock options are also included at the time the options are exercised.

Method of Estimating Compensation per Employee

The HWDC derives estimates of compensation per employee from two sources: 1) U.S. Bureau of Economic Analysis' Regional Economic Accounts (REA), and, 2) the Current Establishment Survey (CES) administered jointly by the U.S. Bureau of Labor Statistics and the U.S. Census Bureau. These sources use different methodologies and different definitions. Although more vigorous estimates of employment are available, the HWDC uses these sources to provide the most timely indication of current trends possible at the state-industry level. The HWDC estimates are early indicators only.

To make the two data sources more comparable, the HWDC makes the following transformations:

CES: To obtain quarterly estimates of employment, monthly figures are averaged for the quarter. For nonfarm employment, we remove the latest available estimate of logging employment from the Quarterly Census of Employment and Wages, rounded to the nearest hundred, from nonfarm totals in the CES prior to averaging.

REA: From nonfarm compensation (or its components), we remove military earnings, agriculture, fishing and forestry earnings and an estimate of earnings from households. For household earnings estimates, we use the REA's Annual State Personal Income and Employment tables to develop current estimates of the proportion of "Other services, except public administration" compensation from employment in private households. We use the most recent data available for the current quarter. We apply this proportion to the current quarterly estimate of "Other services, except public administration".

Despite these transformations, the figures are not wholly comparable. The BEA makes additional adjustments to BLS data when creating its own, annual estimates of employment. Historical indicators are not adjusted by the HWDC, however adjustments made to REA or CES series are incorporated into historical data. For more information on employment data and the REA, see the BEA's *State Personal Income and Employment Methodology*, pages XI-1 to XI-11 & Table K.



Healthcare Workforce
Data Center

Perimeter Center
9960 Mayland Drive, Suite 300
Henrico, VA 23233-1463

Phone: (804) 597-4213
Fax: (804) 527-4434
E-mail: hwdc@dhp.virginia.gov
Website: www.dhp.virginia.gov/PublicResources/HealthcareWorkforceDataCenter/

HWDC Staff:

Elizabeth Carter, PhD <i>Executive Director</i>	Yetty Shobo, PhD <i>Deputy Director</i>
Rajana Siva, MBA <i>Data Analyst</i>	Christopher Coyle <i>Research Assistant</i>

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The Department of Health Professions Healthcare Workforce Data Center works to improve the data collection and measurement of Virginia's healthcare workforce through regular assessment of workforce supply and demand issues among the 80 professions and 350,000 practitioners licensed in Virginia by DHP.

The HWDC collects data on Virginia's licensed health professionals through surveys completed during the online license renewal and application process. Survey results and data may be accessed on our website: www.dhp.virginia.gov/PublicResources/HealthcareWorkforceDataCenter/.

The HWDC also provides a series of Virginia Healthcare Workforce Briefs based on data collected by the U.S. Department of Labor's Bureau of Labor Statistics and the U.S. Department of Commerce' Bureau of Economic Analysis.

Virginia Healthcare Workforce Briefs:

Series 1: State & National Employment (Monthly)

Series 2: Virginia Regional Employment (Monthly)

Series 3: Income & Compensation (Quarterly)

About the Data

Data used in creating this report is from the U.S. Department of Commerce' Bureau of Economic Analysis' Regional Economic Accounts. Unless otherwise noted, data is seasonally adjusted and annualized, and quarterly presentations are based on the calendar year. Data from recent quarters is preliminary and subject to revision in future releases from the BEA. Revisions will be reported in future editions of this series.